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SOVIET UNION

1. British Foreign Office sees tightening of security in Orbit developments:

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The British Foreign Office considers that recent developments in the Orbit point to a major drive to improve internal security. Developments cited

range from the doctors' conspiracy and the criticism of a Kazakh academician for nationalist distortions in the USSR to upheavals throughout the Satellites. The Foreign Office feels that this drive is not in preparation for military ventures or reaction to an increased fear of attack.

The Foreign Office concludes that there will probably be public trials in Moscow and interprets the direct implication of the security forces in the charges against the doctors as an indication that action has already been taken against important security officials such as Abakumov, ex-Minister of the MGB. The British see no sign that Stalin is not still in firm control.

Comment: There is no firm indication that the doctors' conspiracy will be developed into a show trial. However, the present situation may be used to explain Abakumov's ouster as MGB Minister, which although effected in 1951 has not yet been publicly announced.

FAR EAST

2. Yoshida to dissolve Japanese Diet:

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Prime Minister Yoshida told Ambassador Murphy in strictest confidence on 20 January that he had decided to dissolve the Diet sometime before

June as the only way to secure a government with a dependable majority.

Yoshida has decided to revise the constitution's anti-rearmament clause. This requires a two-thirds Diet vote which, with his slender majority, he is unable to obtain. He does not desire a coalition with the Progressive Party because its leftist elements are sympathetic to the Socialists.

Comment: A primary factor in Yoshida's decision to dissolve the Diet undoubtedly is his inability to control the rival faction of his own party which can defeat him on any given issue. New elections, which are mandatory within 40 days of the Diet's dissolution, will not settle his basic difficulties, and may further weaken or split the Liberal Party.

This is the first indication that Yoshida is considering a constitutional change to pave the way for rearmament. Previously he has insisted on a policy of gradual rearmament within the framework of the constitution.

SOUTHEAST ASIA

3. Preparation for decisive action against Viet Minh recommended:

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Bao Dai's military adviser, General Alessandri, has told Ambassador Heath that many officials in North Vietnam believe that now is the time to prepare for

a successful offensive effort against the Viet Minh. He is convinced that expanded French-Vietnamese operations would rally the Tonkin peasantry, who now hate the Viet Minh, as well as bring about significant Viet Minh defections.

Alessandri recommends that 65 additional Vietnamese Army battalions be created without delay so that decisive action may be taken by next October. He said that there was now general agreement in Paris and Indochina on this augmentation of Vietnamese forces, but problems of finance, excessive Vietnamese demands for greater military authority, and the lack of a feeling of urgency in Paris must be overcome.

Comment: Governor Tri of North Vietnam, a reliable official, recently expressed similar views.

Alessandri's opinion that decisive action could be taken as early as next October appears overly optimistic in view of past French and Vietnamese performance in developing a Vietnamese army.

4. Indonesian Foreign Minister may approve rubber sale to Communist China:

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The Indonesian Foreign Minister informed the American Ambassador on 20 January that he is under pressure from the Finance and Economic Ministers to approve the sale of rubber to Communist China. The Foreign Minister stated that the Chinese have made an offer for an initial cash purchase in Swiss currency equivalent to \$263,000.

Meanwhile, a responsible Singapore source quoted information from Djakarta that a rubber-rice agreement had been reached by the Chinese and Indonesians on 16 January. He said delivery of some 15,000 tons of rubber per month was envisaged and that the terms of exchange were very favorable to the Indonesians.

Comment: Many Indonesian officials, reportedly including the Foreign Minister, are undoubtedly eager to negotiate a rice-rubber deal with Communist China despite the present embargo. There is no firm evidence, however, that an agreement has yet been reached. A reliable private trading source stated recently that actual negotiations have been stalled.

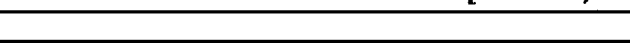

5. Burmese reported preparing to outlaw Communist parties:

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The Burmese premier is drafting legislation to outlaw Communist parties,


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to be submitted to Parliament in the near future, will call for the banning of all "foreign political parties."

Comment: Although the Burmese Government did not revoke the 1946 British order outlawing the smaller of Burma's two Communist parties, no legal action has been taken against the larger, which has been carrying on armed insurrection during the past five years.

The passage of strong anti-Communist legislation, closely following a speech this week by the premier which contained the first public expression of gratitude by a Burmese official for American economic aid, would be the most striking evidence to date of Burma's orientation toward the West.

NEAR EAST - AFRICA

6. Iran plans to end Soviet fisheries concession:

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The Iranian Ambassador in Moscow told the American Embassy on 21 January that Iran will insist that the Soviet fisheries concession which

expires on 31 January be succeeded by an Iranian nationalized fishing industry. He affirmed that the 20 to 30 Russians employed by the industry would be dismissed and Soviet operation of the fishing stations terminated.

The USSR could take its share of the movable property and would be paid for its portion of the immovable installations. Iran, however, would probably offer to sell fish to the USSR at favorable prices.

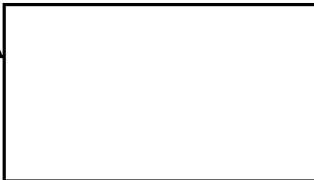
Comment: The Ambassador's statements contradict the Iranian press, which reported on 10 January that the fishing industry would not be nationalized and that the Soviet Embassy in Tehran expected the contract to be extended for a year without change.

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Prime Minister Mossadeq faces serious internal criticism if he agrees to extend the Soviet concession. On the other hand, he may be reluctant to offend both Britain and the USSR at the same time and may consequently adopt a weaker attitude toward the Soviet Union than reported by the Iranian Ambassador.

7. Israel planning to introduce Soviet anti-Semitism issue in UN:

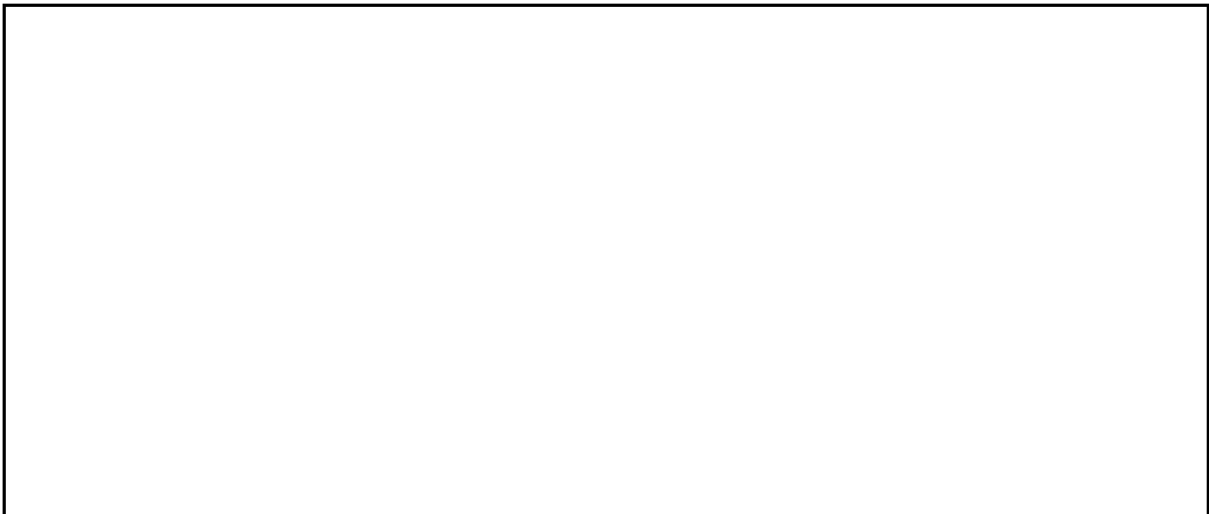
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Israeli UN Delegate Rafael has told the American representative that Israel tentatively plans to bring up Soviet anti-Semitism in the UN when the Polish item on "measures to strengthen peace and friendship among nations" is being considered. He asked the American delegate to keep this information confidential, so that the Polish item would not be withdrawn.

Rafael believes that the present Soviet anti-Semitism stems more from a domestic power struggle than from international motives, and that it does not represent a pro-Arab development.

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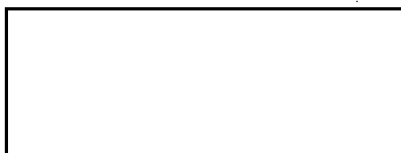
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WESTERN EUROPE

9. Berlin elevated system reportedly to be split:

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East Berlin officials are reliably reported to be preparing a plan for splitting the Berlin elevated transport system by discontinuing through

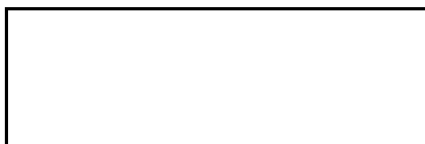
service on the lines crossing West Berlin between the Soviet zone of Germany and East Berlin. The plan envisages substitution in West Berlin of shuttle service using antiquated equipment.

Comment: The elevated, which is East German owned and operated, serves commuters from Berlin suburbs and is the only city transport facility crossing the West Berlin zonal border. The city's streetcar system was split on 15 January. A split of the elevated system would be more serious, however, because it would enable the East Germans to tighten security restrictions on the West Berlin-East German border.

Coupled with the 19 January reorganization of the East Berlin government and the expected issuance of special identity cards, this report suggests that the East German government will go through with reported plans for totally splitting the city within the next few months.

10. British arrest of German ex-Nazis seen politically motivated:

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According to the American Consul in Duesseldorf, statements by British officials in Germany suggest that the

principal motive for the recent arrest of seven ex-Nazis may have been London's desire to show the British public that it is not being lax with regard to subversive elements in Germany. The British High Commissioner in Germany was evidently advised by his Foreign Office last December to arrest the Naumann group because of its "dangerous" subversive activities.

A local West German security official states his belief that the arrests, like the Oradour war crimes trials in France, were designed to prevent the new American administration from cooperating more closely with the Germans.



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11. EDC delegations to recommend early action on treaty protocols:

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The Belgian, Italian, Dutch and Luxembourgian delegates to the EDC Interim Commission have agreed to recommend to their governments that they be author-

ized to reach an accord with the French on all protocols proposed for the EDC treaty. They envisage a limited session of the interim commission in order to permit complete ratification in all countries in April.

The delegates stipulate that the language of the treaty should not be changed and that each country should proceed with treaty ratification while the protocols are being negotiated.

Comment: Members of the West German and Italian EDC delegations have expressed doubt that agreement on the protocols can be easily reached, although both are awaiting details of the French proposals before taking a stand. A Dutch NATO delegate has expressed concern lest the Germans and Italians also ask for special protocols.

